

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: EAGR ETRD OCON
SUBJECT: UNRESOLVED US-EC ISSUES ON GRAINS AGREEMENT

1. FOLLOWING SUMMARIZES PRINCIPAL ISSUES AND RESPECTIVE
POSITIONS - EXCEPT FOR SPECIFIC PRICE LEVELS - THAT MAKE
UP CURRENT STATE OF DISAGREEMENT BETWEEN US AND EC OVER
CONCLUSION OF A NEW INTERNATIONAL WHEAT OR WHEAT/COARSE
GRAINS AGREEMENT. PRICE LEVELS ISSUE - RESERVE TRIGGER
POINTS AND UPPER-LOWER NOTIONAL PRICES - HAS BEEN DISCUSSED
ONLY IN A PRELIMINARY WAY.

2. COARSE GRAINS CONSULTATIVE MECHANISM
--OUR AGREEMENT TO NEGOTIATE A COARSE GRAINS ARRANGEMENT
WAS A CONCESSION WHICH HAS NOT BEEN MET BY ANY EC
CONCESSION.
--EC WANTS PRICE ACTION POINTS TO TRIGGER CONSULTATIONS.
US REJECTS THEM AS NOT SALEABLE TO OUR INDUSTRY IN THE
ABSENCE OF SIGNIFICANT ACCESS COMMITMENTS ON GRAINS.
--WE COULD AGREE TO CONSULTATIONS AT THE REQUEST OF ANY
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MEMBER.

3. NATIONAL UPPER AND LOWER PRICE EXTREMES FOR WHEAT
--US CAN ONLY ACCEPT NOTIONAL PRICES AS BENCHMARKS OR
GOALS. THEY SHOULD NOT BE RELATED TO SPECIFIC MEASURES
OR COMMITMENTS ON ACTIONS.
--EC HAS REPEATEDLY PRESSED TO ATTACH REFERENCE TO NATIONAL

PRICES AT THE THIRD FALLING ACTION POINT.

4. ACTIONS AT LOW WHEAT PRICES (THIRD FALLING POINT)

--WE NEED SUBSTANTIVE AGREEMENT ON MEASURES TO ACHIEVE EQUIVALENT ADJUSTMENT BURDEN SHARING BEFORE WE NEGOTIATE ON PRICES AND RESERVES.

--WE WANT A FIRM PROVISION THAT SAYS MEMBERS WILL AGREE ON A JOINT ACTION PROGRAM TO MAKE THE MECHANISMS CREDIBLE. THE EC HAS MOVED BACKWARDS IN THIS REGARD. THE PROVISION MUST LIST PROSPECTIVE MEASURES, INCLUDING UTILIZATION AND PRODUCTION ADJUSTMENTS.

--EC WANTS LANGUAGE THAT LINKS ACTIONS TO LOWER NATIONAL PRICE. THIS WOULD IMPLY A MINIMUM PRICE COMMITMENT. THEIR PROPOSAL TO TIE WHEAT SALE OFFERS FROM EXPORTING COUNTRIES TO THE LOWER NATIONAL PRICE IS UNACCEPTABLE.

5. EXPORT SUBSIDIES ON WHEAT

--WE NEED A GENERAL PROVISION IN THE WHEAT AGREEMENT TO PROHIBIT SUBSIDIES FOR EXPANDING MARKET SHARES. THIS WOULD BE CONSISTENT WITH THE MTN SUBSIDIES CODE. WE NEED EC AGREEMENT TO NEGOTIATE THIS PROVISION.

--EC WANTS A REFERENCE TO SET A LIMIT ON THEIR EXPORT SUBSIDY PAYMENTS. EVEN THOUGH THIS HAS NO REAL TRADE VALUE TO THE US, WE CAN ACCOMMODATE THEM ON LANGUAGE THOUGH WITHOUT MENTION OF THE NATIONAL PRICE. WE STILL INSIST ON A GENERAL SUBSIDIES PROVISION.

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6. RESERVE SIZE

--THE US WANTS AN OVERALL RESERVE STOCK OF 30 MILLION TONS. A STOCK OF THIS SIZE IS NECESSARY TO HAVE A CREDIBLE MECHANISM. EC ONLY AGREES TO 15 MILLION.

--THE EC SHARE SHOULD BE 4 MILLION TONS. WE WILL TAKE 5-6 MILLION IF OTHERS DO THEIR PART.

--THE EC PROPOSAL TO ACCEPT A SHARE OF 2.1 MILLION IS INSUFFICIENT AS A MEANINGFUL STOCKS OBLIGATION. VANDEN HEUVEL

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